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HEALTHCARE FINANCE, INC.

UNITED STATES BANKRUPTCY COURT**EASTERN DISTRICT OF CALIFORNIA, FRESNO DIVISION**

In re

SOUTHERN INYO HEALTHCARE
DISTRICT,

Debtor,

Case No. 16-bk-10015-FEC

Chapter 9

DC No.: FEC-5

**CREDITORS', HEALTHCARE
CONGLOMERATE ASSOCIATES, LLC
AND VI HEALTHCARE FINANCE,
INC.'S, RESPONSE TO ORDER TO
SHOW CAUSE AND OPPOSITION TO
DISMISSAL****DATE: December 4, 2019****TIME: 9:00 a.m.****PLACE: 501 I Street
Sacramento, California 95814
Courtroom 28**

1 TO THE HONORABLE FREDERICK E. CLEMENT, UNITED STATES BANKRUPTCY
2 JUDGE:

3 PLEASE TAKE NOTICE THAT CREDITORS Healthcare Conglomerate Associates, LLC
4 (“HCCA”) and Vi Healthcare Finance, Inc. (“Vi”), collectively referred to hereafter as “Creditors,”
5 hereby file the following Response to the Court’s Order to Show (“Response”). On November 7,
6 2019, this Court filed an Order to Show Cause (“OSC”) as to why the Debtor Southern Inyo
7 Healthcare District’s (“District”) bankruptcy case should not be dismissed for cause. (*See* Doc. No.
8 751.) That OSC states that “opposition shall be presented in writing and filed not later than November
9 20, 2019.” (*Id.*) Creditors HCCA and Vi now write to support the District’s opposition to this OSC,
10 and to request that the Court permit the District’s bankruptcy plan to move forward in the interests of
11 justice, to allow creditors to be paid, and for the benefit of the Southern Inyo community at large.
12 These creditors agree in principle with the District’s opposition that in this Chapter 9 case that the
13 Court lacks legal authority to dismiss the case under the totality of circumstances.

14 The District’s Third Amended Plan for the Adjustment of Debts for Southern Inyo Healthcare
15 District (the “Plan”) was filed on November 8, 2019. (Doc. No. 754.) As is recited in the Plan, the
16 District faced earnings shortfalls throughout 2014 and 2015, culminating in the resignation of the CEO
17 and the entire District board in December 2015 and the shutdown of the hospital. HCCA began
18 assisting the District with reorganization and restructuring beginning in January 2016; brought the
19 District back to life, including the filing of a voluntary Chapter 9 bankruptcy petition. HCCA and the
20 District entered into a Management Services Agreement (“MSA”), pursuant to which HCCA was to
21 manage the District through a Restructuring Officer, Alan Germany, and to perform various tasks to
22 assist operations.

23 Additionally, during the time it was managing the hospital, based on financial needs of
24 necessity, the District elected to enter into a line of credit with Vi to permit continued operation of and
25 to keep open the doors of the hospital. HCCA and Vi’s involvement with the District came at a time
26 when the hospital had already shut down and no entities were willing to lend the District money, due
27 to the extreme risk of such a loan. All told, HCCA and Vi loaned more than three million dollars to
28 attempt to salvage a failing hospital in an underserved part of the state, which has not yet been repaid.

1 Although disputes arose between the District, HCCA and Vi as to HCCA's duties under the
2 MSA, the Parties have reached agreement on a settlement. See Notice of Settlement filed November
3 20, 2019, to reach a reasonable resolution of all their disputes to permit HCCA and Vi to receive
4 partial payment in exchange for releases of Vi's security of the District's tax revenues to facilitate
5 performance of the proposed Plan to protect the greater Southern Inyo community to enable the
6 continued operation of the hospital and its related operating facilities.

7 Since Chapter 9 bankruptcies do not include a liquidation analysis, the analysis of whether the
8 Plan is in the best interest of the creditors must ask whether the creditors would be in a better position
9 if the case were simply dismissed and each creditor was allowed to pursue state court remedies. *See In*
10 *re City of Detroit*, 524 B.R. 147, 213 (Bankr. E.D. Mich. 2014). HCCA and Vi parties are convinced
11 in good faith that dismissal of the Chapter 9 petition and plan at this stage is not in the best interests of
12 the creditors and would manifestly harm if not destroy the Southern Inyo Hospital and harm the
13 community. The creditors stand to gain significantly more through an orderly resolution of the debts
14 of the District than they do in multiplicative, competing state court actions. This is particularly true
15 since dismissal of the Chapter 9 case would virtually ensure that the community would be denied the
16 continued operation of the District as an ongoing hospital. Further, the Chapter 9 plan sets forth
17 numerous potential bases through which the District can increase its revenue generation, which should
18 ultimately lead to a more full repayment of its debts.

19 These Creditors reserve all and do not waive any of their rights.

20 This is to say nothing about the importance of the District to the people living and traveling in
21 and near the District. Southern Inyo County is drastically underserved as to healthcare, and the
22 shutting down of a hospital in this part of the state has potential serious and drastic impacts on the
23 lives of the people in this area, who would lack access to basic medical care. This is a large part of the
24 reason why HCCA and Vi worked so hard to keep operations afloat at a time when no other entities
25 would help support the District's operations. In short, neither HCCA nor Vi believes that this Chapter

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28 ///

1 9 case should be dismissed and the proposed Plan is in the best interests of all concerned.
2

3 Dated: November 20, 2019

Respectfully submitted,

4 WANGER JONES HELSLEY PC

5
6 By: 

Oliver W. Wanger

Christopher A. Lisieski

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CONGLOMERATE ASSOCIATES, LLC
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